



**STATEMENT OF
KATHLEEN SEBELIUS
SECRETARY**

U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES

ON

THE PRESIDENT'S FISCAL YEAR 2011 BUDGET

BEFORE THE

**SUBCOMMITTEE ON LABOR, HEALTH AND HUMAN SERVICES,
EDUCATION, AND RELATED AGENCIES**

COMMITTEE ON APPROPRIATIONS

UNITED STATES SENATE

MARCH 10, 2010

Chairman Harkin, Senator Cochran, and Members of the Subcommittee, thank you for the invitation to discuss the President's Fiscal Year (FY) 2011 Budget for the Department of Health and Human Services (HHS).

In his State of the Union Address, President Obama laid out an aggressive agenda to create jobs, strengthen opportunity for working families, and lay a foundation for long-term growth. His FY 2011 Budget is the blueprint for putting that vision into action.

At HHS, we are supporting that agenda by working to keep Americans healthy, ensuring they get the health care they need, and providing essential human services for children, families, and seniors.

Our budget will make sure that the critical health and human services our Department offers to the American people are of the highest quality and are directly helping families stay healthy, safe, and secure—especially as we continue to climb out of a recession.

It promotes projects that will rebuild our economy by investing in next generation research and the advanced development of technology that will help us find cures for diseases, innovative new treatments, and new ways to keep Americans safe, whether we are facing a pandemic or a potential terrorist attack.

But this budget isn't just about new programs or new priorities or new research. It is also about a new way of doing business with the taxpayers' money. Where there is waste and fraud, we must root it out. Where there are loopholes, we must close them. And where we have opportunities to increase transparency, accountability, and program integrity, we must take them. These are top priorities of the President. They are top priorities of mine. And our budget reflects that they are top priorities for my Department.

The President's FY 2011 Budget for HHS totals \$911 billion in outlays. The Budget proposes \$81 billion in discretionary budget authority for FY 2011, of which \$74 billion is within the jurisdiction of the Labor, Health and Human Services, Education, and Related Agencies Subcommittee.

This budget is a major step toward a healthier, stronger America. But it is a complement, not a substitute for health insurance reform.

This administration strongly believes that the only sure way to increase health security and stability, bring down health care costs, and give Americans better insurance choices is to pass comprehensive health insurance reform. To that end, the President has put forth a proposal that bridges the House and Senate bills and incorporates the best ideas of Republicans and Democrats.

His proposal – which he has called on Congress to swiftly pass – will give American families and small business owners more control over their health care by holding insurance companies accountable. It will give Americans protection from insurance

company abuses, create a new consumer-friendly health insurance marketplace, and begin to bring down costs for families, businesses, and government. Reform is projected to reduce the deficit by about \$100 billion in the first decade, and roughly \$1 trillion in the second decade, and, by controlling health care costs, put the federal government on a path to fiscal responsibility.

After meeting last week with the CEOs of America's largest insurance companies, who acknowledged that the current health insurance system fails to provide transparency and affordable coverage to all Americans, I am more convinced than ever that the only way to fix our broken health insurance system is to enact these common sense reforms. And after more than a year of conversation, Americans deserve an up or down vote.

My hope is that Congress will follow through on the hard work they have done over the last twelve months and send a bill to the President soon. But for now, I'd like to begin with a broad overview of my department's 2011 budget priorities, many of which are aimed towards the same goals. Then I'll look forward to taking some of your questions.

Investing in Prevention

Reducing the burden of chronic disease, collecting and using health data to inform decision-making and research, and building an interdisciplinary public health workforce are critical components to successful prevention efforts. The Budget includes \$20 million for the Centers for Disease Control and Prevention (CDC) Big Cities Initiative to reduce the rates of morbidity and disability due to chronic disease in up to ten of the largest U.S. cities. These cities will be able to incorporate the lessons learned from implementing evidence-based prevention and wellness strategies of the American Recovery and Reinvestment Act of 2009 (Recovery Act) Communities Putting Prevention to Work Initiative. This Recovery Act initiative is key to promoting wellness and preventing chronic disease, and we appreciate the support of Congress, and particularly Chairman Harkin, in making these funds available. In March, HHS will award \$373 million for the cornerstone of this initiative, funding communities to implement evidence-based strategies to address obesity, increase physical activity, improve nutrition, and decrease smoking. The Big Cities Initiative requested in FY 2011 will allow us to build on the success of the Recovery Act.

The Budget also includes \$10 million at CDC for a new Health Prevention Corps, which will recruit, train, and assign a cadre of public health professionals in State and local health departments. This program will target disciplines with known shortages, such as epidemiology, environmental health, and laboratory science.

To support teen and unintended pregnancy prevention and care activities in the Office of Public Health and Science and CDC, the Budget provides \$222 million in funds. Of this, \$125 million will be used for replicating programs that have proven effective through rigorous evaluation to reduce teenage pregnancy; research and demonstration grants to develop, replicate, refine and test additional models and innovative strategies; and training, technical assistance and outreach. Also provided in the request is \$4 million to carry out longitudinal evaluations of teenage pregnancy prevention approaches, and

another \$4 million in Public Health Service (PHS) evaluation funds for this activity. This also includes \$22 million for CDC to reduce the number of unintended pregnancies through science-based prevention approaches. In addition, the FY 2011 Adolescent Family Life (AFL) Budget includes \$17 million to provide support for AFL Care demonstration grants and research programs. In an effort to ameliorate the negative effects of childbearing on teen parents, their infants and their families, care grant community-based projects develop, test and evaluate interventions with pregnant and parenting teens, and focus on ways to build and strengthen families.

Behavioral health is essential to the wellbeing of all Americans. The Budget includes an additional \$135 million in the Substance Abuse and Mental Health Services Administration (SAMHSA) and Health Resources and Services Administration (HRSA) for innovative approaches to prevent and treat substance abuse and mental illness. These efforts include increases of \$35 million for community-based prevention, \$25 million to expand behavioral health services at health centers, and \$17 million associated with homelessness prevention. An increase of \$13 million will expand the treatment capacity of drug courts, and \$33 million will strengthen our capacity to deter new drug threats and assess our progress in reducing substance abuse.

Reducing Health Care Fraud

When American families are struggling to make every dollar count, we need to be just as vigilant about how their money is spent. That's why the Obama Administration is cracking down on criminals who steal from taxpayers, endanger patients, and jeopardize the future of our health insurance programs.

Last May, President Obama instructed Attorney General Holder and me to create a new Health Care Fraud Prevention and Enforcement Action Team, which we call "HEAT" for short. HEAT is an unprecedented partnership that brings together high-level leaders from both departments so that we can share information, spot trends, coordinate strategy, and develop new fraud prevention tools.

As part of this new partnership, we are developing tools that will allow us to identify criminal activity by analyzing suspicious patterns in claims data. Medicare claims data used to be scattered among several databases. If we wanted to find out how many claims had been made for a certain kind of wheelchair, we had to go look in several different places. This single, searchable database means that for the first time ever, we'll have a complete picture of what kinds of claims are being filed across the country.

Our FY 2011 Budget includes \$1.7 billion in funding to fight fraud, including \$561 million in discretionary funds to strengthen Medicare and Medicaid program integrity activities, with a particular emphasis on fighting health care fraud in the field, increasing Medicare and Medicaid audits, and strengthening program oversight while reducing costs. We appreciate the Committee's support of past requests for fraud prevention; and building on the successes we have been able to achieve with those funds, we are now seeking an additional \$250 million over the FY 2010 level that we hope you can support.

This investment will better equip the Federal government to minimize inappropriate payments, pinpoint potential weaknesses in program integrity oversight, target emerging fraud schemes by provider and type of service, and establish safeguards to correct programmatic vulnerabilities. This multi-year discretionary investment will save \$9.9 billion over 10 years.

The Budget also includes a set of new administrative and legislative program integrity proposals that will give HHS the necessary tools to fight fraud by enhancing provider enrollment scrutiny, increasing claims oversight, and improving Medicare's data analysis capabilities, which will save approximately \$14.7 billion over 10 years. Along with the \$9.9 billion in savings from the discretionary investments, these new program authorities will save a total of \$25 billion in Medicare and Medicaid expenditures over 10 years.

Improving Quality of and Access to Health Care

At HHS, we continue to find ways to better serve the American public, especially those citizens least able to help themselves. We are working to improve the quality of and access to health care for all Americans by supporting programs intended to enhance the health care workforce and the quality of health care information and treatments through the advancement of health information technology (IT) and the modernization of the health care system.

As Congress continues its work to provide security and stability for Americans with health insurance and expand coverage to those Americans who do not have insurance, HHS maintains its efforts towards achieving those goals through activities with the Children's Health Insurance Program (CHIP), health IT, patient-centered health research, prevention and wellness, community health centers, and the health workforce.

The Budget includes \$3.6 billion for Centers for Medicare & Medicaid Services' (CMS) Program Management. To strengthen the ability of CMS to meet current administrative workload demands resulting from recent legislative requirements and continued growth of the beneficiary population, the funding provides targeted investments to revamp IT systems and optimize staffing levels so that CMS can meet the future challenges of Medicare, Medicaid, and CHIP while being an active purchaser of high quality and efficient care.

For example, \$110 million will support the first year of a comprehensive Health Care Data Improvement Initiative (HCDII) to transform CMS's data environment from one focused primarily on claims processing to one also focused on state-of-the art data analysis and information sharing. Without this funding CMS would not be able to transform Medicare and Medicaid into leaders in value-based purchasing and in data sources for privacy-protected patient-centered health research. This funding is imperative for CMS to meet the needs of future growth, financial accountability, and data content and availability. The HCDII is the cornerstone of a business strategy that will optimize the delivery of efficient, high-quality health care services. CMS needs this funding to strengthen disaster recovery and security operations to protect against loss of

data or services; to enable timely data sharing and analysis to fight fraud, waste, and abuse; and to transform payment processes to support quality outcomes.

To strengthen and support our Nation's health care workforce, the Budget includes \$1.1 billion within the HRSA for a wide range of programs. This funding will enhance the capacity of nursing schools, increase access to oral health care through dental workforce development grants, target students from disadvantaged backgrounds, and place an increased emphasis on ensuring that America's senior population gets the care and treatment it needs.

The Budget includes an increase of \$290 million to ensure better access to health centers through further expansions of health center services and integration of behavioral health into health centers' primary care system. This funding builds on investments made under the Recovery Act and will enable health centers to serve more than 20 million patients in FY 2011, which is 3 million more patients than were served in FY 2008.

The Budget advances the President's health IT initiative by accelerating health IT adoption and electronic health records (EHR) utilization – essential tools for modernizing the health care system. The Budget includes \$78 million, an increase of \$17 million, for the Office of the National Coordinator for Health Information Technology (ONC) to continue its current efforts as the Federal health IT leader and coordinator. During FY 2011, HHS will also begin providing an estimated \$25 billion over 10 years of Recovery Act Medicare and Medicaid incentive payments primarily to physicians and hospitals who demonstrate meaningful use of certified EHRs, which will improve the reporting of clinical quality measures and promote health care quality, efficiency, and patient safety.

The Budget supports HHS-wide patient-centered health research, including an additional \$261 million within the Agency for Healthcare Research and Quality (AHRQ) over FY 2010. HHS also continues to invest the \$1.1 billion provided by the Recovery Act to improve health care quality by providing patients and physicians with state-of-the-art, evidence-based information to enhance medical decision-making.

Promoting Public Health

Whether responding to pandemic flu or researching major diseases, HHS will continue its unwavering commitment to keeping Americans healthy and safe.

The Budget includes over \$3 billion, an increase of \$70 million, for CDC and HRSA to enhance HIV/AIDS prevention, care, and treatment. This increase includes \$31 million for CDC to integrate surveillance and monitoring systems, address high-risk populations, and support HIV/AIDS coordination and service integration with other infectious diseases. The increase also includes \$40 million for HRSA's Ryan White program to expand access to care for underserved populations, provide life-saving drugs, and improve the quality of life for people living with HIV/AIDS.

To improve CDC's ability to collect data on the health of the Nation for use by policy-makers and Federal, State, and local leaders, the Budget provides \$162 million for Health Statistics, an increase of \$23 million above FY 2010. This increase will ensure data availability on key national health indicators by supporting electronic birth and death records in States and enhancing national surveys.

The Budget includes \$222 million, an increase of \$16 million, to address Autism Spectrum Disorders (ASD). Research at the National Institutes of Health (NIH) will pursue comprehensive and innovative approaches to defining the genetic and environmental factors that contribute to ASD, investigate epigenetic changes in the brain, and accelerate clinical trials of novel pharmacological and behavioral interventions, CDC will expand autism monitoring and surveillance and support an autism awareness campaign, and HRSA will increase resources to support children and families affected by ASD through screening programs and evidence-based interventions.

The Budget includes \$352 million, an increase of \$16 million, for CDC Global Health Programs to build global public health capacity by strengthening the global public health workforce; integrating maternal, newborn, and child health programs; and improving global access to clean water, sanitation, and hygiene. Specifically, CDC will expand existing programs and develop programs in new countries to provide workforce training in areas such as epidemiology and outbreak investigation, and to implement programs that distribute water quality interventions to create safe drinking water. In addition, CDC will integrate interventions, such as malaria control measures, expanded immunizations, and safe water treatment, to reduce newborn, infant, and child mortality. Additionally, the Budget includes \$6 million in the Office of Global Health Affairs to support global health policy leadership and coordination.

Protecting Americans from Public Health Threats and Terrorism

Continued investments in countermeasure development and pandemic preparedness will help ensure that HHS is ready to protect the American people in either natural or man-made public health emergencies. The Budget includes \$476 million, an increase of \$136 million, for the Biomedical Advanced Research and Development Authority to sustain the support of next generation countermeasure development in high-priority areas by allowing the BioShield Special Reserve Fund to support both procurement activities and advanced research and development.

Reassortment of avian, swine, and human influenza viruses has led to the emergence of a new strain of H1N1 influenza A virus, 2009 H1N1 flu, that is transmissible among humans. On June 24, 2009, Congress appropriated \$7.65 billion to HHS for pandemic influenza preparedness and response to 2009 H1N1 flu. HHS has used these resources to support States and hospitals, to invest in the H1N1 vaccine production, and to conduct domestic and international response activities. The Budget includes \$302 million for ongoing pandemic influenza preparedness activities at CDC, NIH, Food and Drug Administration (FDA), and the Office of the Secretary for international activities, virus detection, communications, and research. In addition, the use of balances from the June 2009 funds, will enable HHS to continue advanced development of cell-based and

recombinant vaccines, antivirals, respirators, and other activities that will help ensure the Nation's preparedness for future pandemics. Previous appropriations for H5N1 allowed us to be better prepared for H1N1 than we ever would have been otherwise, and only by continued work on better vaccines, antivirals, and preparedness will we be ready for the next virus—which could well be a greater challenge than H1N1 has been.

Improving the Wellbeing of Children, Seniors, and Households

In addition to supporting efforts to increase our security in case of an emergency, the HHS Budget also seeks to increase economic security for families and open up doors of opportunity to those Americans who need it most.

The Budget provides critical support of the President's Zero to Five Plan to enhance the quality of early care and education for our Nation's children. The Budget lays the groundwork for a reauthorization of the Child Care and Development Block Grant and entitlement funding for child care, including a total of \$6.6 billion for the Child Care and Development Fund, an increase of \$800 million in the Child Care and Development Block Grant and \$800 million in the Child Care Entitlement. These resources will enable 1.6 million children to receive child care assistance in FY 2011, approximately 235,000 more than could be served in the absence of these additional funds.

The Administration's principles for reform of the Child Care and Development Fund include establishing a high standard of quality across child care settings, expanding professional development opportunities for the child care workforce, and promoting coordination across the spectrum of early childhood education programs. The Administration looks forward to working with Congress to begin crafting a reauthorization proposal that will make needed reforms to ensure that children receive high quality care that meets the diverse needs of families and fosters healthy child development.

To enable families to better care for their aging relatives and support seniors trying to remain independent in their communities, the Budget provides \$102.5 million for a new Caregiver Initiative at the Administration on Aging. This funding includes \$50 million for caregiver services, such as counseling, training, and respite care for the families of elderly individuals; \$50 million for supportive services, such as transportation, homemaker assistance, adult day care, and personal care assistance for elderly individuals and their families; and \$2.5 million for respite care for family members of people of all ages with special needs. This funding will support 755,000 caregivers with 12 million hours of respite care and more than 186,000 caregivers with counseling, peer support groups, and training.

Funding for the Head Start program, run by the Administration for Children and Families (ACF), will increase by \$989 million to sustain and build on the historic expansion made possible by the Recovery Act. In FY 2011, Head Start will serve an estimated 971,000 children, an increase of approximately 66,500 children over FY 2008. Early Head Start will serve approximately 116,000 infants and toddlers, nearly twice as many as were served in FY 2008. The increase also includes \$118 million to improve program quality,

and the Administration plans to implement key provisions of the 2007 Head Start Act reauthorization related to grantee recompetition, program performance standards, and technical assistance that will improve the quality of services provided to Head Start children and families.

The Budget proposes a new way to fund the Low Income Home Energy Assistance Program to help low-income households heat and cool their homes. The request provides \$3.3 billion in discretionary funding. The proposed new trigger would provide, under current estimates, \$2 billion in mandatory funding. Energy prices are volatile, making it difficult to match funding to the needs of low-income families, so under this proposal, mandatory funds will be automatically released in response to quarterly spikes in energy prices or annual changes in the number of people living in poverty.

Investing in Scientific Research and Development

The investments that HHS is proposing in our human services budget will expand economic opportunity, but another critical way to grow and transform our economy is through a healthy investment in research that will not only save lives but also create jobs.

The Budget includes a program level of \$32.2 billion for NIH, an increase of nearly \$1 billion, to support innovative projects ranging from basic to clinical research, as well as including health services research. This effort will be guided by NIH's five areas of exceptional research opportunities: supporting genomics and other high-throughput technologies; translating basic science into new and better treatments; reinvigorating the biomedical research community; using science to enable health care reform; and focusing on global health. The Administration's interest in the high-priority areas of cancer and autism fits well into these five NIH theme areas. In FY 2011, NIH estimates it will support a total of 37,001 research project grants, including 9,052 new and competing awards.

Recovery Act

Since the Recovery Act was passed in February 2009, HHS has made great strides in improving access to health and social services, stimulating job creation, and investing in the future of health care reform through advances in health IT, prevention, and scientific research. HHS Recovery Act funds have had an immediate impact on the lives of individuals and communities across the country affected by the economic crisis and the loss of jobs.

As of September 30, 2009, the \$31.5 billion in Federal Payments to States helped maintain State Medicaid services to a growing number of beneficiaries and provided fiscal relief to States. NIH awarded \$5 billion for biomedical research in over 12,000 grants. Area agencies on aging provided more than 350,000 seniors with over 6 million meals delivered at home and in community settings. Health Centers provided primary health care services to over one million new patients.

These programs and activities will continue in FY 2010, as more come on line. For example, 64,000 additional children and their families will participate in a Head Start or

Early Head Start experience. HHS will be assisting States and communities to develop capacity, technical assistance and a trained workforce to support the rapid adoption of health IT by hospitals and clinicians. The CDC will support community efforts to reduce the incidence of obesity and tobacco use. New research grants will be awarded to improve health outcomes by developing and disseminating evidence-based information to patients, clinicians, and other decision-makers about what interventions are most effective for patients under specific circumstances.

The Recovery Act provides HHS programs an estimated \$141 billion for Fiscal Years 2009 – 2019. While most provisions in HHS programs involve rapid investments, the Recovery Act also includes longer term investments in health IT (primarily through Medicare and Medicaid). As a result, HHS plans to have outlays totaling \$86 billion through FY 2010.

Conclusion

This testimony reflects just some of the ways that HHS programs improve the everyday lives of Americans. Under this budget, we will provide greater security for working families as we continue to recover from the worst recession in our generation. We will invest in research on breakthrough solutions for healthcare that will save money, improve the quality of care, and energize our economy. And we will push forward our goal of making government more open and accountable.

My department cannot accomplish any of these goals alone. It will require all of us to work together. And I am eager to work with you to advance the health, safety, and well-being of the American people. Thank you for this opportunity to speak with you today. I look forward to answering your questions.

SECRETARY OF THE DEPARTMENT OF HEALTH AND HUMAN SERVICES
KATHLEEN SEBELIUS

Kathleen Sebelius was sworn in as the 21st Secretary of the Department of Health and Human Services (HHS) on April 28, 2009. As Secretary, she leads the principal agency charged with keeping Americans healthy, ensuring they get the health care they need, and providing children, families, and seniors with the essential human services they depend on. She also oversees one of the largest civilian departments in the federal government, with nearly 80,000 employees.

Since taking office, Secretary Sebelius has been a leader on some of the Obama administration's top priorities. As the country's highest-ranking health official, she has been a powerful voice for reforming our health insurance system. She has also been charged by the President with coordinating the response to the 2009 H1N1 flu virus. And under her leadership, HHS has provided a wide range of services from health care to child care to energy assistance to help families weather the worst economic crisis since the Great Depression.

Secretary Sebelius has answered President Obama's call to form partnerships across government to improve the lives of Americans. She is the Co-Chair, with Secretary Vilsack, of the President's Food Safety Working Group. With Attorney General Holder, she chairs the new Health Care Fraud Prevention and Action Team (HEAT). She has teamed up with Secretary Duncan improve early childhood education. As part of President Obama's "Year of Community Living," she is working with Housing and Urban Development Secretary Shaun Donovan to improve the lives of seniors and people with disabilities who wish to live at home.

Secretary Sebelius has been a leader on health care, family, and senior issues for over 20 years. As Governor of Kansas from 2003 to 2009, she fought to create jobs, improve access to affordable health care, and give every Kansas child a quality education. In 2005, Time Magazine recognized her achievements by naming her one of America's Top Five Governors.

Before being elected Governor, she served from 1995 to 2003 as the first Democrat to be elected Kansas Insurance Commissioner. In that role, she was recognized as a strong advocate for consumers while streamlining the Department's budget. For her efforts, Governing Magazine selected her as their Public Official of the Year for 2000. Prior to her service as Insurance Commissioner, she was a member of the Kansas House of Representatives from 1987 to 1995.

Secretary Sebelius is the first daughter of a governor to be elected governor in American history. She holds a Master of Public Administration degree from the University of Kansas and a Bachelor of Arts degree from Trinity Washington University. She is married to Gary Sebelius, a federal magistrate judge. They have two sons, Ned and John.